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U.S. OFFICE OF PERSONNEL MANAGEMENT  
OFFICE OF THE INSPECTOR GENERAL  
OFFICE OF AUDITS

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# Final Audit Report

**Subject:**

**ASSESSING THE RELEVANCE AND RELIABILITY OF THE  
U.S. OFFICE OF PERSONNEL MANAGEMENT'S  
PERFORMANCE INFORMATION**

**Report No. 4A-CF-00-12-066**

**Date: April 1, 2013**

**--CAUTION--**

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# AUDIT REPORT

**ASSESSING THE RELEVANCE AND RELIABILITY OF THE  
U.S. OFFICE OF PERSONNEL MANAGEMENT'S  
PERFORMANCE INFORMATION**

Report No. 4A-CF-00-12-066

Date: April 1, 2013



**Michael R. Esser**  
Assistant Inspector General  
for Audits

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## EXECUTIVE SUMMARY

### ASSESSING THE RELEVANCE AND RELIABILITY OF THE U.S. OFFICE OF PERSONNEL MANAGEMENT'S PERFORMANCE INFORMATION

Report No. 4A-CF-00-12-066

Date: April 1, 2013

The Office of the Inspector General (OIG) has completed a performance audit Assessing the Relevance and Reliability of the U.S. Office of Personnel Management's Performance Information (OPM). The objective of our audit was to determine if OPM has internal controls in place over the collection, reviewing, and reporting of its performance information in the Annual Performance Report (APR).

Our audit was conducted from October 23, 2012 through December 4, 2012 at OPM headquarters in Washington, D.C. We determined that OPM needs to strengthen its controls over the collection, review, and reporting of performance information in the APR. Our audit identified five areas requiring improvement.

1. **Lack of Change Control Procedures for Changing Performance Measure Targets** **Procedural**

OPM does not have a change control process in place for the changes made to performance targets from the Congressional Budget Justification and reported in the APR.

2. **Federal Investigative Services' Performance Measures and Performance Indicators are not Consistent** **Procedural**

OPM's reported performance indicators in the FY 2011 APR for the Federal Investigative Services investigative timeliness and deficient cases performance measures are not consistent. In addition, the data used to determine the performance result for the deficient cases measure is not aligned with the definition of the performance measure.

3. **Improved Internal Controls Needed for the Reporting of the Retirement Services' Claims Backlog Status** **Procedural**

OPM does not have adequate controls in place to ensure that the tracking of claims received and claims processed for the retirement claims backlog are supported.

4. **Improved Internal Controls Needed for Reporting Performance Results for the Retirement Claims Processing Timeliness Performance Measure** **Procedural**

OPM does not have adequate controls in place to ensure that the retirement claims processing timeliness is accurately calculated. Specifically, OPM reported that it processed non-disability retirement claims in an average of 125 days; however, OPM actually processed these claims in an average of 131 days.

5. **Improved Internal Controls Needed for the Data Gathering, Reviewing, and Reporting of the Retirement Services' Customer Satisfaction Performance Measure** **Procedural**

OPM lacks adequate internal controls over the data gathering, reviewing, and reporting of performance data for the Retirement Services customer satisfaction performance measure.

A draft report was issued on January 29, 2013 to the Office of the Chief Financial Officer and the Performance Improvement Officer for review and comment. The comments in response to the draft were considered in preparing this final report and are included as an Appendix. OPM concurred with two recommendations, partially concurred with two recommendations, and did not concur with one recommendation.

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## **I. INTRODUCTION AND BACKGROUND**

### **Introduction**

This final audit report details the findings, conclusions, and recommendations resulting from our performance audit Assessing the Relevance and Reliability of the U.S. Office of Personnel Management's (OPM) Performance Information. The audit was performed by OPM's Office of the Inspector General (OIG), as authorized by the Inspector General Act of 1978, as amended.

### **Background**

The Government Performance and Results Act of 1993 (GPRA) requires agencies to engage in project management tasks such as setting goals, measuring results and reporting their progress. In order to comply with the GPRA, agencies produce strategic plans, performance plans, and reports on performance. Agencies must prepare annual performance reports that review the agency's success or failure in meeting its targeted performance goals. Agencies may choose either to produce a consolidated Performance and Accountability Report or produce a separate Agency Financial Report or Annual Performance Report (APR). The APR provides information on the agency's progress in achieving the goals and objectives described in the agency's Strategic Plan and Annual Performance Plan.

On January 4, 2011, President Obama signed the GPRA Modernization Act of 2010 (Modernization Act). The Modernization Act helps agencies to focus on their highest priorities and creates a culture where data and empirical evidence play a greater role in policy, budget, and management decisions.

The Office of Management and Budget (OMB) issued Circular No. A-11 in August 2011, which provides guidance to agencies for complying with the Modernization Act. Part 6 provides specific instructions to government agencies on how to report on their performance measures to OMB and Congress.

OPM's Chief Financial Officer's (CFO) Budget and Performance Office (BPO) is responsible for producing OPM's APR. Each September, the Associate CFO for BPO sends out a data call for program performance results using a template. OPM program offices complete the template by providing the actual performance result for each measure identified on the template; a narrative statement highlighting the performance result; and a strategy for how to meet any measure that was not met. The BPO transmitted the FY 2011 APR to Congress concurrent with the President's FY 2013 Congressional Budget Justification in February 2012.

On May 18, 2011, OPM appointed a Performance Improvement Officer (PIO), as required by the Modernization Act. The PIO's responsibilities are to: 1) establish and report on OPM's High Priority Performance Goals; 2) Conduct at least six program performance reviews annually; 3) Represent OPM at the Performance Improvement Council; and 4) Communicate progress on performance goals to OPM employees through web-based dashboards and other means. OPM also appointed two deputy PIO's; one is responsible for information systems and the other is responsible for innovations.

We reviewed performance information as reported in the FY 2011 APR for the Federal Investigative Service (FIS) and Retirement Services (RS).

FIS's mission is to ensure the Federal Government has a suitable workforce that protects National Security and is worthy of the Public Trust. FIS is responsible for providing investigative products and services for over 100 Federal agencies to use as the basis for security clearance or suitability decisions as required by Executive Orders and other rules and regulations. Over 90 percent of the Federal Government's background investigations are provided by OPM. FIS's performance measures fall under the OPM Strategic Goal to *Hire the Best*.

RS is responsible for the administration of the Federal Retirement Program covering over 2.9 million active employees and 2.5 million annuitants. Processing of the approximately 100,000 retirement applications received by OPM annually is handled by operations staff in Boyers, Pennsylvania and Washington, D.C. RS's performance measures fall under the OPM Strategic Goal to *Honor Service*.

This is our first audit Assessing the Relevance and Reliability of OPM's Performance Information. The preliminary results of our audit were discussed with the CFO, PIO, RS, and FIS officials at an exit conference. A draft report was issued on January 29, 2013 to the CFO and PIO for review and comment. The comments in response to the draft were considered in preparing the final report and are included as an Appendix. OPM concurred with two recommendations, partially concurred with two recommendations, and did not concur with one recommendation.

## **II. OBJECTIVE, SCOPE, AND METHODOLOGY**

### **Objective**

The objective of our audit was to determine if OPM has internal controls in place over the collection, review, and reporting of its performance information in the APR.

The recommendations included in this final report address this objective.

### **Scope and Methodology**

We conducted this performance audit in accordance with generally accepted government auditing standards as established by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives.

The scope of our audit covered OPM's performance measures reported by FIS and RS in the FY 2011 APR, as well as the RS claims backlog addressed in the RS Strategic Plan, dated January 2012.

FIS reported on the following performance measures in the FY 2011 APR:

1. Average number of days to complete the fastest 90 percent of initial national security investigations, to meet requirements of the Intelligence Reform and Terrorism Prevention Act of 2004 (IRTPA), and
2. Investigations determined to be deficient due to errors in investigation processing.

In addition, we reviewed the performance measure for FIS's percent of customers satisfied with the quality and service of FIS products, policies and guidance; however, these results were not included in the FY 2011 APR because the survey results were still being collected when the APR was published. At the time we performed our audit, the performance results were available for review.

RS reported on the following performance measures in the FY 2011 APR:

1. Retirement claims processing timeliness;
2. Average unit cost for processing retirement claims;
3. Number of retirement records OPM receives that are complete and require no development actions;
4. Percent of customers satisfied with overall retirement services; and
5. Rate of improper payments in the Retirement Program.

In addition, RS's FY 2012 Strategic Plan focuses on reducing the backlog of pending claims. RS's goal is to eliminate the claims backlog by July 2013.

We did not audit the RS performance measure on the rate of improper payments in the retirement program as this measure was reviewed during our audit of OPM's Improper



Payments Reporting for Compliance with the Improper Payments Elimination and Recovery Act of 2010, report number 4A-RI-00-12-009, dated March 14, 2012.

We performed our audit fieldwork from October 23, 2012 through December 4, 2012 at OPM headquarters located in Washington, D.C.

To accomplish the audit objective noted above, we:

- Reviewed the performance reporting requirements for Federal agencies stated in the GPRA, as amended by the GPRA Modernization Act of 2010, OMB Circular A-11 part 6, and other Federal Regulations that provide agencies guidelines on reporting performance measures;
- Interviewed OPM officials to gain an understanding of OPM's policies and procedures for performance reporting in the APR;
- Reviewed supporting documentation, such as management reports and systems reports for FIS and RS performance measures reported in the FY 2011 APR;
- Obtained data files extracted from the Annuity Roll Processing System to validate RS Hypershow management reports data used to calculate the claims processing timeliness and the unit cost performance measures, as well as to validate the reasonableness of the claims backlog reporting;
- Reviewed supporting documentation for the inventory on the claims backlog as of December 2011 and June 2012;
- Reviewed reporting requirements and PIO responsibilities for OPM's reporting on its high-priority performance goals and measures; and,
- Re-calculated performance results, as applicable.

In planning our work and gaining an understanding of the internal controls over OPM's performance reporting process, we considered, but did not rely on, the internal control structure to the extent necessary to develop our audit procedures. These procedures were mainly substantive in nature, although we did gain an understanding of management procedures and controls to the extent necessary to develop our audit objectives. The purpose of our audit was not to provide an opinion on internal controls, but merely to evaluate controls over the processes that were included in the scope of our audit. Our audit included such tests as validating performance results to performance measure definitions, verifying performance result calculations, and other procedures as we considered necessary under the circumstances. The results of our review and tests indicate that with respect to the items tested, OPM needs to strengthen its controls over the collection, review, and reporting of performance information in the APR. We did not evaluate the effectiveness of the general and application controls over computer processed performance data.

In performing our audit work, we selected samples for testing in order to accomplish our audit objectives. Our sampling methodology was as follows:

- For the customer service performance measures, we selected the entire universe of returned surveys for testing (246 surveys for FIS and 324 surveys for RS);
- For the FIS case timeliness performance measure, we obtained a data file of the entire universe of 634,342 national security cases processed during FY 2011 to recalculate the timeliness of investigative processing;
- For the FIS investigative case quality performance measure, we selected a random sample of 20 of the 943 national security cases reopened for quality deficiencies during FY 2011 and a random sample of 20 of the 1739 national security cases requested by agencies to be reopened, but that FIS determined should not be reopened because there was no quality deficiency in case processing by FIS or its contractors;
- For the RS claims completeness performance measure, we selected a judgmental sample of 10 out of 186 cases with errors for the month of September 2012 for review; and,
- For the RS claims backlog reporting, we judgmentally selected the starting December 2011 inventory and the claims received and processed for the month of June 2012 for testing.

The results from our samples were not projected to the population reviewed.

### **III. AUDIT FINDINGS AND RECOMMENDATIONS**

#### **1. Lack of Change Control Procedures for Changing Performance Measure Targets**

OPM does not have a change control process in place for changing performance targets from the Congressional Budget Justification (CBJ) and reported in the Annual Performance Report (APR). Specifically, OPM reported a performance target of \$76.17 for the average unit cost for processing retirement claims in the FY 2011 CBJ. In the FY 2011 APR, OPM changed the performance target to \$101.23. OPM did not have documentation for the justification and approval of the target change.

The Government Accountability Office's (GAO) *Standards for Internal Controls in the Federal Government* states that management is responsible for developing control activities, which are the policies, procedures, techniques and mechanisms that enforce management's directives. Control activities occur at all levels and functions of an entity and include a wide range of activities, such as approvals, authorizations, verifications, reconciliations, and the creation and maintenance of related records which provide evidence of execution of these activities, as well as appropriate documentation.

OPM does not have effective internal controls in place to track the approval and justification for changing performance targets from the CBJ to the APR.

By not having internal controls in place for justifying and approving performance target changes from the CBJ to the APR, OPM performance reporting lacks transparency.

#### **Recommendation 1**

We recommend that OPM develop and implement change control procedures for explaining, justifying, and approving changes to performance targets.

#### **CFO's Response:**

"The Chief Financial Officer (CFO) partially concurs with this recommendation. CFO believes it has adequate controls in place to document changes in performance targets. Nevertheless, CFO will take corrective actions as detailed below to improve the transparency of its process....

Although the CFO believes that sufficient internal controls currently exist to document any target changes, we concur with the OIG that transparency could be further enhanced. Therefore, CFO will address the OIG recommendation by doing the following:

- 1) Creating a new form/template whose sole purpose will be to document the target change, associated rationale, and identify approving officials.

2) Incorporate this template into the overall target change process.

CFO plans to complete the above items by September 30, 2013.”

## **2. Federal Investigative Services’ (FIS) Performance Measures and Performance Indicators are not Consistent**

OPM’s reported performance indicators in the FY 2011 APR for FIS’s investigative timeliness and deficient cases performance measures are not consistent with the performance measures. In addition, the data used to determine the performance result for the deficient cases measure is not aligned with the definition of the performance measure. Specifically:

- For the investigative timeliness performance measure, the performance indicator reads “Increased percentage of security and suitability investigations that meet timeliness standards.” The performance measure result reported in the APR measures timeliness for security investigations only.
- For the deficient cases performance measure, the performance indicator states “Increased percentage of security and suitability investigations that meet quality standards.” The performance measure result reported in the APR measures case deficiencies for security investigations only.
- For the deficient cases performance measure, the FY 2011 APR performance measure definition reads, “The percent of investigations determined to be deficient due to errors in investigations processing.” FIS calculated the performance result on the initial national security investigations only, but the measure definition does not make this distinction.

GAO Publication GAO/GGD-10.1.20, *The Results Act. An Evaluator’s Guide to Assessing Agency Annual Performance Plans*, states that “measures must clearly represent or be related to the performance they are trying to assess. ... measures should have a clearly apparent or commonly accepted relationship to the intended performance or have been shown to be reasonable predictors of the desired behaviors or events. ...”

We therefore conclude that OPM does not have effective internal controls in place for the reporting of its performance measures to ensure performance measures, indicators, and results are consistent. As a result, OPM is at risk for reporting inaccurate or misleading performance information to Congress and the public.

### **Recommendation 2**

We recommend that OPM develop and implement controls to ensure that performance indicators, measures, and results are consistent so that the measures validly represent the key aspects of performance.

### **FIS’s Response:**

“FIS does not concur with the finding and recommendation.

The controls are sound and the measures are consistent. The legal mandates on the timeliness of national security investigations that originated with the Intelligence Reform and Terrorism Prevention Act (IRTPA) provided OPM with this High Priority Timeliness Goal... The timeliness and quality performance measures that are applied to OPM FIS investigations are PMMSC [Performance Management and Measures Subcommittee]/PAC [Performance Accountability Council] approved measures....

For OPM it is appropriate to acknowledge that each of the investigations that are conducted for national security clearance purposes also support agency suitability determinations. The performance indicator/descriptor language (increased percentage of security and *suitability* investigations that meet timeliness/quality standards) is intended to make the point of the universality of the investigations being measured. However, it was always understood at [the Office of Management and Budget] OMB and across the Executive branch that high priority investigations subject to performance measurement are those distinguished by the IRTPA and subject to PAC oversight.

To avoid future confusion, we wrote the timeliness Goal Statement in the FY12 APR to focus specifically on background investigations supporting the IRTPA mandate.”

**OIG’s Comment:**

Performance indicators, measures, and results need to be consistent in order to present a clear relationship of performance to desired behavior. We understand that the primary focus of FIS’s performance reporting has been in support of IRTPA. However, one of the objectives of performance reporting is to be transparent. FIS performs suitability and national security investigations as stated in the performance indicator. FIS’s performance indicators should match the performance measures reported in the APR. In addition, OPM should qualify the performance result for the deficient cases performance measure to indicate results for national security investigations only.

**3. Improved Internal Controls Needed for the Reporting of the Retirement Services’ Claims Backlog Status**

OPM needs to improve its controls over the reporting of the RS claims backlog status. During our audit, we sampled the June 2012 backlog status to validate the claims received and claims processed amounts reported on the claims backlog status report. RS provided a management report; however, we were unable to use the management report to recalculate the reported claims receipts and claims processed for June 2012.

GAO’s *Standards for Internal Controls in the Federal Government* states that management is responsible for developing control activities, which are the policies, procedures, techniques and mechanisms that enforce management’s directives. Control activities occur at all levels and functions of an entity and include a wide range of activities, such as approvals, authorizations, verifications, reconciliations, and the creation and maintenance of related records which provide evidence of execution of these activities, as well as appropriate documentation.

We therefore conclude that OPM lacks adequate internal controls over the data gathering and reporting of its retirement claims backlog status. As a result, OPM is at risk for reporting incorrect status updates of its progress to reduce the retirement claims backlog.

### **Recommendation 3**

We recommend that OPM develop and implement controls over the process to gather and report statistics related to its performance in reducing the retirement claims backlog. These controls should include the development and implementation of documented policies, procedures, methodology, and crosswalk to determine reported performance on the claims backlog.

### **RS's Response:**

“Retirement Services (RS) partially concur[s] with the finding. We still contend that we turned to components of long-established measures to define and report separately on this highly visible agency priority, yet agree that the new monthly report did not have the same level of documentation of other measures used historically. It remains that the measure was based on existing data already subject to controls and the IG confirms that RS ‘provided the verifiable source data’ to support our performance to reduce the retirement claims backlog. Since there is concurrence that the data was verified, and, also notable at this point, this remains a ‘temporary’ measure that is already waning in significance as we move to a new measure of processing effectiveness, we believe no new controls will add any value at this point.”

### **OIG's Comment:**

RS provided management reports as the source data for the claims backlog; however, we could not use the reports to recalculate all of the reported amounts on the backlog status report. We asked for support in the form of a crosswalk on how the reported claims receipts and claims processed for June 2012 were calculated, none could be produced, and we were unable to verify the reported amounts for the June 2012 retirement case backlog status. We understand that OPM expects to have reduced or eliminated the backlog by July 2013 and appears to be on track to achieve this goal. Given the high profile nature of this performance goal and OPM's commitment to ensure that it processes retirement claims timely, we believe it will be critical for OPM to have effective controls in place for determining its claims processing inventory status at all times. Therefore, we continue to recommend that OPM develop and implement effective controls over the process to gather and report on its claims inventory performance. These controls should include the development and implementation of documented policies, procedures, methodology, and crosswalk to determine claims inventory status.

#### **4. Improved Internal Controls Needed for Reporting Performance Results for the Retirement Claims Processing Timeliness Performance Measure**

In calculating OPM's claims processing timeliness performance measure result, OPM omitted timeliness data for two of the four organization units used in the calculation, thereby underreporting the time it takes to process non-disability retirement claims. OPM reported in

the FY 2011 APR that its average claims processing time for non-disability retirement claims was 125 days; however, the correct result was 131 days.

GAO's *Standards for Internal Controls in the Federal Government* states that activities need to be established to monitor performance measures and indicators. Controls should be aimed at validating the propriety and integrity of performance measures and indicators.

GAO Publication GAO/GGD-10.1.20, *The Results Act. An Evaluator's Guide to Assessing Agency Annual Performance Plans*, states that agencies should have procedures in place for ensuring that data are free of significant levels of error and that bias is not introduced. Procedures should provide for the periodic review of data collection, sampling, and independent validation to ensure accuracy.

We therefore conclude that OPM lacks effective controls to ensure that reported performance data is reported correctly. As a result, OPM is at risk for reporting incorrect performance information to Congress and the public.

#### **Recommendation 4**

We recommend that OPM develop and implement controls to ensure that performance results are correctly reported and include all aspects of performance information.

#### **RS's Response:**

"RS concurs with this recommendation. In accordance with the OPM RS Strategic Plan, a new performance measure for timeliness (percent of retirement claims processed within 60 days) will be established starting in August 2013. ... The new measure will have improved internal controls, validation, and data integrity. ..."

#### **5. Improved Internal Controls Needed for the Data Gathering, Reviewing, and Reporting of the Retirement Services' Customer Service Satisfaction Performance Measure**

OPM lacks adequate internal controls over the data gathering, reviewing, and reporting of the RS customer service satisfaction performance measure. Specifically, we found seven errors in RS's performance data spreadsheet used to summarize the survey results. The errors noted were:

- four instances where the customer did not answer Question #27; however, the performance data spreadsheet of customer responses indicates the response was marked "Satisfied";
- one instance where the customer marked a response of "Very Dissatisfied" for Question #27; however, the performance data spreadsheet of customer responses indicates the response was marked "Satisfied";
- one instance where RS excluded one Customer Service Survey (CSS). We were unable to locate the control number on RS's performance data spreadsheet; and
- one instance where RS could not provide the hard copy CSS booklet for review to validate responses recorded on the performance data spreadsheet.

These errors did not change the overall percent of satisfaction reported in the APR.

The Government Accountability Office's *Standards for Internal Control in the Federal Government* states that management is responsible for developing control activities, which are the policies, procedures, techniques and mechanisms that enforce management's directives. Control activities occur at all levels and functions of an entity and include a wide range of activities, such as approvals, authorizations, verifications, reconciliations, performance review, and the creation and maintenance of related records which provide evidence of execution of these activities, as well as appropriate documentation. Some examples of control activities are: reviews by management at the functional or activity levels, controls over information processing, proper execution of transactions and events, and appropriate documentation.

We therefore conclude that RS does not have adequate controls in place to ensure that performance information is reliable. Without effective controls for data gathering, review, and reporting of performance information, RS is at risk for reporting inaccurate performance information to Congress and the public.

#### **Recommendation 5**

We recommend that RS develop and implement controls to ensure performance information is reliable. These include processes to ensure management oversight and review of performance data entry and output.

#### **RS's Response:**

“RS concurs with the IG's finding that OPM lacked adequate internal controls over the data gathering, reviewing, and reporting of the RS customer service satisfaction performance measure, and based on their advice will add a review component to this effort going forward. ...”



#### **IV. MAJOR CONTRIBUTORS TO THIS REPORT**

##### **Internal Audits Group**

[REDACTED], Auditor  
[REDACTED] Auditor  
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[REDACTED] Chief

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UNITED STATES OFFICE OF PERSONNEL MANAGEMENT  
Washington, DC 20415

Merit System Audit  
and Compliance

FEB 21 2013

MEMORANDUM FOR [REDACTED]  
Chief, Internal Audits Group

FROM: JANET L. BARNES   
Director, Internal Oversight & Compliance

SUBJECT: Management Response to the OIG Draft Report on the Audit of  
Assessing the Relevance and Reliability of the U.S. Office of Personnel  
Management's Performance Information (Report No. 4A-CF-00-12-  
066)

Thank you for the opportunity to respond to your draft report on the Audit of Assessing the Relevance and Reliability of the U.S. Office of Personnel Management's Performance Information. Below is the management response provided by the Program Offices to the following issues noted in the report.

1. Lack of Change Control Procedures for Changing Performance Measure Targets

**Finding:** OPM does not have a change control process in place for the changes made to performance targets from the Congressional Budget Justification and reported in the Annual Performance Report (APR).

**Recommendation 1:** We recommend that OPM develop and implement change control procedures for explaining, justifying, and approving changes to performance targets.

**CFO Management Response:** The Chief Financial Officer (CFO) partially concurs with this recommendation. CFO believes it has adequate controls in place to document changes in performance targets. Nevertheless, CFO will take corrective actions as detailed below to improve the transparency of its process.

Programs begin to develop performance targets during the annual budget formulation process. From the beginning of budget formulation to the beginning of the budget execution year, almost two years has elapsed. During that time frame, performance targets for each performance measure are documented and approved on four separate occasions. For the performance measures reported in the FY 2011 Annual Performance Report:

- 1) Performance targets were first documented in OPM's FY 2011 OMB Budget submission dated September 2009.

- 2) Performance targets were updated in OPM's FY 2011 Congressional Budget Justification/Annual Performance Plan dated February 2010.
- 3) Performance targets were again updated in OPM's FY 2012 OMB Budget submission dated September 2010.
- 4) Performance targets were again updated in OPM's FY 2012 Congressional Budget Justification dated February 2011.

For each of the four occasions mentioned above, any target changes are not only approved by a CFO performance analyst (as mentioned in the OIG report), but also by each affected Associate Director through the Agency's Document Management System. In addition to the approvals received within OPM, OMB must also concur on our budget documents before they can be released to Congress and the Public.

Although the CFO believes that sufficient internal controls currently exist to document any target changes, we concur with the OIG that transparency could be further enhanced. Therefore, CFO will address the OIG recommendation by doing the following:

- 1) Creating a new form/template whose sole purpose will be to document the target change, associated rationale, and identify approving officials.
- 2) Incorporate this template into the overall target change process.

CFO plans to complete the above items by September 30, 2013.

## **2. Federal Investigative Services' Performance Measures and Performance Indicators are not Consistent**

**Finding:** OPM's reported performance indicators in the FY 2011 APR for the Federal Investigative Services (FIS)' investigative timeliness and deficient cases performance measures are not consistent. In addition, the data used to determine the performance result for the deficient cases measure is not aligned with the definition of the performance measure.

**Recommendation 2:** We recommend that OPM develop and implement controls to ensure that performance indicators, measures, and results are consistent so that the measures validly represent the key aspect of performance.

**FIS Summary:** OIG supports this finding as follows: "OPM does not have effective internal controls in place for the reporting of its performance measures to ensure performance measures, indicators, and results are consistent." OIG found inconsistency between the description of the measure and the actual measure metric. For investigative timeliness, the description was for increased percentage of security and suitability investigation that meet timeliness standards; however the timeliness measure metric is only applied to national security cases. The same disconnect was identified for the quality standard, the description was for increased percentage of security and suitability investigation that meet quality standards, while the quality measure is only applied to national security case.

**FIS Management Response:** FIS does not concur with the finding and recommendation.

The controls are sound and the measures are consistent. The legal mandates on the timeliness of national security investigations that originated with the Intelligence Reform and Terrorism Prevention Act (IRTPA) provided OPM with this High Priority Timeliness Goal. The IRTPA also provided for an Executive Branch structure for managing performance under this mandate. The Office of Management and Budget first led the performance oversight effort and, working with Executive branch agencies in the OMB, chaired “Security Clearance Oversight” working group developed measures. That work was considered and adopted by the Performance Management and Measures Subcommittee (PMMSC) of the Performance Accountability Council that followed under EO 13467. The timeliness and quality performance measures that are applied to OPM FIS investigations are PMMSC/PAC approved measures. OPM FIS has been consistently measuring and reporting to these standards since 2006, first to Congress and OMB until February 2010, and now to the Director of National Intelligence and OMB PAC when it meets.

For OPM it is appropriate to acknowledge that each of the investigations that are conducted for national security clearance purposes also support agency suitability determinations. The performance indicator/descriptor language (increased percentage of security *and suitability* investigations that meet timeliness/quality standards) is intended to make the point of the universality of the investigations being measured. However, it was always understood at OMB and across the Executive branch that high priority investigations subject to performance measurement are those distinguished by the IRTPA and subject to PAC oversight.

To avoid future confusion we wrote the timeliness Goal Statement in the FY12 APR to focus specifically on background investigations supporting the IRTPA mandate.

### **3. Improved Internal Controls Needed for the Reporting of the Retirement Services Claims Backlog Status**

**Finding:** OPM does not have adequate controls in place to ensure that the retirement claims backlog tracking of claims receipts and processed are supported.

**Recommendation 3:** We recommend that OPM develop and implement controls over the process to gather and report on its performance to reduce the retirement claims backlog. These controls should include the development and implementation of documented policies, procedures, methodology, and crosswalk to determine reported performance on the claims backlog.

**RS Management Response:** Retirement Services (RS) partially concur with the finding. We still contend that we turned to components of long-established measures to define and report separately on this highly visible agency priority, yet agree that the new monthly report did not have the same level of documentation of other measures used historically. It remains that the measure was based on existing data already subject to controls and the IG confirms that RS “provided the verifiable source data” to support our performance to reduce the retirement claims backlog. Since there is concurrence that the data was verified, and, also notable at this point, this remains a “temporary” measure that is already waning in significance as we move to a new measure of processing effectiveness, we believe no new controls will add any value at this point.

#### **4. Improved Internal Controls Needed for Reporting Performance Results for Retirement Claims Processing Timeliness**

**Finding:** OPM does not have adequate controls in place to ensure that the retirement claims processing timeliness is accurately calculated. Specifically, OPM reported that it processed non-disability retirement claims in an average of 125 days; however, OPM actually processed claims in an average of 131 days.

**Recommendation 4:** We recommend that OPM develop and implement controls to ensure that performance results are correctly reported and include all aspects of performance information.

**RS Management Response:** RS concurs with this recommendation. In accordance with the OPM RS Strategic Plan, a new performance measure for timeliness (percent of retirement claims processed within 60 days) will be established starting in August 2013. As a result, the current timeliness performance measure has been decommissioned effective FY 2012. The new measure will have improved internal controls, validation, and data integrity. The plan of action for implementing this new measure is below.

Percent of retirement claims processed within 60 days.

- Plan and Develop the measure. Establish method for measuring percent of retirement claims processed within 60 days. Define what this measure is, how it will be calculated, what will be counted, how it will be tracked, what will be the future targets, etc. Create the program; develop report that automatically calculates the percent of retirement claims processed within 60 days. Verify the source data, reporting elements, and business rules. (FY 13 Q2)
- Test the measure. Ensure all calculations and business rules are properly working. (FY 13 Q3)
- Implement the measure. Inventory reduction will be complete July 31, 2013.

Starting August 1, new measure will be implemented. (FY 13 Q4)

#### **5. Improved Internal Controls Needed for the Data Gathering, Reviewing, and Reporting for Retirement Services Customer Service Satisfaction Performance Measure**

**Finding:** OPM lacks adequate internal controls over the data gathering, review, and reporting of performance data for the Retirement Services (RS) customer satisfaction performance measure.

**Recommendation 5:** We recommend that RS develop and implement controls to ensure performance information is reliable. These include processes to ensure management oversight and review of performance data entry and output.

**RS Management Response:** RS concurs with the IG's finding that OPM lacked adequate internal controls over the data gathering, reviewing, and reporting of the RS customer service satisfaction performance measure, and based on their advice will add a review component to this effort going forward. Typically the initial input and analysis of the "Customer Satisfaction Survey" is completed by September 30<sup>th</sup> of each year. Starting with the next survey (FY14 Q1), Quality Assurance will randomly select a sample of the "Customer Satisfaction Survey" and compare the data with the spreadsheet that is used to compile the survey results. This review will be completed before results are officially reported to ensure the continued reliability of the information.